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RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 03 SHANGHAI 000065

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SUBJECT: 2007 SHANGHAI MUNICIPAL PEOPLE'S CONGRESS MEETING

CLASSIFIED BY: Simon Schuchat , Principal Deputy Officer, ,
U.S. Consulate Shanghai.
REASON: 1.4 (b), (d)

¶1. (SBU) Summary: The work reports delivered at the opening sessions of 2007 Shanghai Municipal People's Congress (SMPC) and Shanghai Municipal Chinese People's Political Consultative Conference (CPPCC) on January 28 and 27, respectively, emphasized the need to fight corruption and improve transparency. The reports touched on Shanghai's pension scandal and supported the government's investigation of Chen Liangyu. The SMPC report also noted Shanghai's continued double-digit economic growth and efforts to improve infrastructure. 2007 priorities included fostering a service-based economy, supporting innovation, protecting IPR, improving energy consumption, increasing social services and creating more jobs. The SMPC report clearly supported President Hu Jintao and was littered with references to Hu's "Four Leads" and "Four Centers" initiatives, which urged that Shanghai take the lead in reform and become an economic, financial, trade and shipping center, respectively. End Summary.

Accomplishments

¶2. (U) The opening sessions of Shanghai Municipal CPPCC and SMPC took place in Shanghai on January 27 and 28, respectively. Shanghai Acting Party Secretary and Mayor Han Zheng delivered the municipal government's work report to the SMPC. The report listed many of Shanghai's accomplishments, many of which were in the economic field. For the fifteenth year in a row, Shanghai's GDP had double-digit growth and increased by 12 percent in 2006 to 1,029.7 billion RMB. The Consumer Price Index (CPI) rose by 1.2 percent and there was a 13 percent growth in total retail consumer goods sales. Per capita disposable income increased by 10.8 percent in urban areas and 10.4 percent in rural areas.

Total fixed-asset investment also grew by 10.8 percent and exports surged by 25.2 percent.

13. (U) Acting Party Secretary Han noted that the local government also took measures to improve the environment and increased per capita public space to 11.5 square meters. Infrastructure improvements included the completion of the Yangshan Deepwater Port and the extension of subway lines. As for social services, the local government accelerated the development of elderly care services, adding 10,200 beds in institutional care facilities and providing an additional 59,600 elderly persons with access to subsidized home-based care. It also implemented a basic medical insurance system for pre-school children and primary and middle school students that covered 1,800,000 minors in Shanghai.

Priorities for 2007

14. (U) 2007's priorities were in three categories: economic development, building a harmonious society, and building a better government. Under economic development, the government vowed to "put the service sector higher on the agenda" and work towards a "more sophisticated service sector." It aimed to make Shanghai into an international financial center as well as a shipping center. Han also emphasized the importance of

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innovation and said that the local government would cultivate a "pro-innovation" climate which would protect IPR. Protecting the environment and energy and resource conservation were also listed as priorities. The government vowed to step up preparations for the 2010 World Expo and the 2007 Special Olympics.

15. (U) As for building a harmonious society, the report emphasized the importance of improving education, increasing employment opportunities for the unemployed and improving social services for the elderly. The government would also take measures to improve community building including supporting the development of grassroots democracy and grassroots governance.

Building a Better Government: Fighting Corruption, Increasing Supervision

16. (U) The "building a better government" set of priorities focused on the need to fight corruption and increase transparency. Mayor Han noted the Chen Liangyu scandal and said that the investigation and the handling of the severe disciplinary actions against "Comrade" Chen Liangyu demonstrated the government's commitment to fighting corruption. The government promised strict oversight of cadres and government agencies. It would also crack down on corporate bribery and on government personnel who used their position for unlawful gains and accepted bribes. It also promised to increase transparency by making more information available and enhancing the government website and press spokesman system.

¶7. (SBU) Finally, Mayor Han warned that all government personnel must firmly embrace "a correct understanding of how the Government's performance should be appraised." Government cadres must work for the people and "be mindful of the harms of greed and constantly alert to the need for self-discipline." It said, "We must be a government that truly serves the people, is accountable to the people, is supervised by the people, and satisfies the people." The text of the paragraph of the report appeared on the big-screen televisions. In addition, Mayor Han Zheng appeared to be reciting this section from memory. While he read most of the report, he appeared more animated in his delivery of this section.

Support For Hu Jintao

¶8. (SBU) Mayor Han concluded by calling for cadres to unite closely around President Hu Jintao and push forward with the "Four Leads" and "Four Centers" initiatives. According to the report, the "Four Leads" vision calls for Shanghai to take the lead in transforming the economic growth model, enhancing independent innovative capacity, advancing reform and opening-up, and building a socialist harmonious society. The "Four Centers" called for building Shanghai into an international economic, financial, trade and shipping center. The "Four Centers" concept was a part of the 11th Five-Year plan and mentioned in last year's work report. According to this year's report, President Hu Jintao established the "Four Leads" vision for Shanghai.

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Shanghai CPPCC Report

¶9. (U) The Shanghai CPPCC Report, delivered on January 27, also touched on the Chen Liangyu scandal. Jiang Yiren, Chairman of the Municipal CPPCC, also urged that cadres receive more training to improve their ability to govern. Popular opinion, expressed through the CPPCC, wanted the government to focus on solving the problems of job creation, traffic congestion, creating affordable housing and increasing access to medical care.

Comment

¶10. (C) While there was appropriate applause during the speeches, the crowd was not especially enthused during the meetings and there was no real reaction to the mention of the Chen Liangyu. That Chen continues to be called a "Comrade" suggests that his case has not been concluded and he retains,

for the moment at least, his party membership. Since the municipal government's report was intended for Beijing as much as it was for any member of the audience, we suppose that Shanghai has adequately demonstrated its loyalty to the center. Mayor Han was visibly sick but soldiered on for nearly two hours so as to not miss the opportunity to demonstrate to Beijing his loyalty to the center.

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